

14
DATE 1-24-07
HB

Legislative
Fiscal Division

Issues

HB 6 and HB 8

Renewable Resource Grant and
Loan Program

HB 7

Reclamation and Development
Grant Program

Easiest First?

HB 8 - Lack of Consistency:

- The executive budget recommendation contains a request for loans under the RRGL that total \$3.7 million, but the DNRC will request \$7.5 million of bond issue authority. The lack of consistency came to light during the budget analysis of the RRGL loan/bond program. The difference in the program appropriations provided in the executive budget and appropriations provided by the DNRC indicate that the executive budget office did not have all the information necessary to develop the RRGL loan/grant program budget. The increased request will create the appearance that the legislature has increased the total appropriations recommended in the executive budget by approximately \$3.8 million.

Executive Budget: \$3.7M

HB 8: \$7.5M

Renewable Resource Loans 2009 Biennium			
Loans-Sponsor/Project	Loan Recommendation	Cumulative Total	
<u>Section 1¹</u>			
Group 1 Projects (4.5% or State bond rate, whichever is lower-20 years)			
Montana Department of Natural Resources and Conservation Ackley Lake Dam Rehabilitation	\$200,000	\$200,000	
Montana Department of Natural Resources and Conservation East Fork Siphon Replacement and Main Canal Lining Project	400,000	600,000	
Montana Department of Natural Resources and Conservation Smith Creek Canal Seepage Abatement and Rehabilitation Project	50,000	650,000	
Group 2 Projects (3.0% or State bond rate, whichever is lower-20 years)			
Montana Department of Natural Resources and Conservation Community Refinance Projects	3,000,000	3,650,000	
<u>Section 2²</u>			
Group 1 Projects (4.5% or State bond rate, whichever is lower-20 years)			
Mill Creek Irrigation District	572,000	4,222,000	
Mill Lake Dam Rehabilitation			
Montana DNRC	<u>90,000</u>	<u>4,312,000</u>	
Martinsdale Dam Rippap Project			
			Total Loan Authorizations:
			Additional Loan Authorizations:
			Loan Reserve: ³
			<u>685,570</u>
			Total Bond Request
			\$7,541,269

LRP Actions:

- Request an explanation of OBPP?
- Determine if the difference was an approved/authorized change?

Slightly More Difficult?

HB 6 - Negative Ending Fund Balance

- The RRGL account will have an estimated negative ending fund balance of **\$4.4 million** at the end of the 2009 biennium. The primary cause of the negative ending fund balance is the over-appropriation of administrative costs in the general appropriation act.
- The Montana Constitution states that appropriations “shall not exceed anticipated revenue”.

Renewable Resource State Special Revenue Account (02272)	
Fund Balance Projection 2009 Biennium	
Estimated Beginning Fund Balance (7/1/2007)	(\$543,947)
Revenue Projections ¹	
Resource Indemnity Trust Interest - Grant Allocation	\$4,000,000
Resource Indemnity Trust Interest - MSU Northern	480,000
Resource Indemnity Trust Interest - Additional	449,700
Excess Coal Tax Proceeds	250,000
STIP and Other Interest Earnings	5,000
Administrative Fees	<u>25,000</u>
2009 Biennium Revenues	\$5,209,700
RRGL Recommendations ³	
DNRC-(Grant Administration) Centralized Services ²	(54,586)
DNRC-(Grant Administration) Conser. & Res. Devel. Div. ²	(599,564)
Emergency Grants	(100,000)
Project Planning	(400,000)
Irrigation Development	(300,000)
Comprehensive Irrigation Report	(100,000)
Proposed RRGL Grants	<u>(5,014,946)</u>
Total RRGL Recommendations	(6,569,096)
Balance	(\$1,903,343)
Non-Grant Related Expenditures²	
MSU-Northern Statutory Appropriation	(480,000)
DNRC-Water Resources Division	(24,130)
DNRC-Flathead Basin Commission	(13,682)
DNRC - Forestry Division	(200,000)
Judiciary-Water Court	(1,775,445)
Total Non-Grant Expenditures	(2,493,257)
Estimated Ending Fund Balance (6/30/2009)	<u>(\$4,396,600)</u>

¹ RTC recommendations

² Executive general appropriations act proposal

³ Executive grant proposal

LRP Actions:

- Request input / recommendations from OBPP
- Reduce the total appropriation to the grant program by \$4.4 million (this action would also reduce the number of grants funded)
 - The LFD is working on this fund balance. Discrepancies were found in the data used to calculate the original fund balance. If further changes occur in this amount, fiscal staff will bring the changes to your attention.
- Recommend elimination of \$4.4 million of administrative appropriations in the general appropriations act (HB 2)
- Supplement proposed fund appropriation to the RRGL account

Most difficult?

HB 6 and HB 7 - Unlawful Appropriation of Funds and HB 116

- The legislative legal staff believes that past legislatures have violated the account statutes guiding the use of funds in the renewable resource grant and reclamation and development grant accounts. In recent biennia, monies deposited into the two accounts have been used for purposes other than the administration of the grant program and grants.
- Administration costs for non-grant related appropriations were allowed in the 2007 biennium under a temporary change in statute included in the RRGL grant bill.

Permanent Statutes State:

Both statutes, 85-1-604, MCA and 90-2-1104, MCA, use the same language in stating:

- 3) "Appropriations may be made from the renewable resource grant and loan program state special revenue account / the reclamation and development grants account for the following purposes:
 - a) grants for designated projects; and
 - b) administrative expenses, including salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. These expenses may be funded before funding of projects (85-1-604, MCA and 90-2-1104, MCA).

may we diverge . . .

- In Earlier Biennia:
 - RRGL and RDGP Grants Funded at Minimum Level
 - Total \$4 million for RRGL administration and grants
 - Total \$3 million for RDGP administration and grants
 - In 2007 Biennia
 - Legislature funded grants at higher level
 - Total \$5.5 million for RRGL administration and grants
 - Total \$7.1 million for RDGP administration and grants

- In years of funding shortages, the legislature began using the funds in the grant accounts for purposes other than grants, and that practice has persisted through time. The original purpose of the account was to fund the costs of the RRGL and RDGP programs.
- Examples of the misuse include funding for:
 - RRGL –
 - MSU-Northern
 - Judiciary Water court
 - RDGP –
 - DEQ-Central Management
 - Library Commission, State Library Operations
 - DEQ-Enforcement

LEG Takes Action!

- The improper account use came to light in the Fifty-ninth Legislature, and actions are underway to remedy the situation in future years.
- The interim Legislative Finance Committee agreed to sponsor a bill that will change the funding of natural resource program administration and projects in future years. This is HB 116.

HB 116

- Will correct the illegal appropriations in the RRGL and RDGP
- Will separate the grant programs from the administrative costs

HB 116

- Creates 2 new funding accounts
 - Natural Resource Operations
 - Natural Resource Projects
- Renewable Resource
- Reclamation and Development
- Other
- Removes specific distributions
- Provides approximately \$7.8 million for both grant programs

These two accounts receive significant fund distributions: \$18M

Renewable Resource State Special Revenue Account (02272)	
	Fund Balance Projection 2009 Biennium
Estimated Beginning Fund Balance (7/1/2007)	<u>\$543,947</u>
Revenue Projections ¹	
Resource Indemnity Trust Interest - Grant Allocation	\$4,000,000
Resource Indemnity Trust Interest - MSU Northern	480,000
Resource Indemnity Trust Interest - Additional	449,700
Excess Coal Tax Proceeds	250,000
STIP and Other Interest Earnings	5,000
Administrative Fees	25,000
2009 Biennium Revenues	<u>\$5,209,700</u>
RRGL Recommendations ³	
DNRC-(Grant Administration) Centralized Services ²	(54,586)
DNRC-(Grant Administration) Conser. & Res. Devel. Div. ²	(599,564)
Emergency Grants	(100,000)
Project Planning	(400,000)
Irrigation Development	(300,000)
Comprehensive Irrigation Report	(100,000)
Proposed RRGL Grants	(5,014,946)
Total RRGL Recommendations	<u>(6,569,096)</u>
Balance	<u>(\$1,903,343)</u>
Non-Grant Related Expenditures ²	
MSU-Northern Statutory Appropriation	(480,000)
DNRC-Water Resources Division	(24,130)
DNRC-Flathead Basin Commission	(13,682)
DNRC - Forestry Division	(200,000)
Judiciary-Water Court	(1,775,445)
Total Non-Grant Expenditures	<u>(2,492,257)</u>
Estimated Ending Fund Balance (6/30/2009)	<u>(\$4,396,600)</u>

Reclamation and Development State Special Revenue Account (024558)	
	Fund Balance Projection 2009 Biennium
Estimated Beginning Fund Balance-(7/1/2007)	<u>\$3,015,006</u>
Revenue Projections ¹	
Resource Indemnity Trust Interest	\$3,000,000
Resource Indemnity Trust Interest - Additional	524,650
Resource Indemnity and Ground Water Assessment Tax	476,601
Metal Mines Tax	2,270,000
Oil and Gas Production Tax	6,621,719
2009 Biennium Revenues	<u>12,892,970</u>
RDGP Recommendations ³	
Administration-(Grant Administration) DNRC ²	(288,715)
DNRC-(Grant Administration) Conser. & Res. Devel. Div. ²	(2,449,102)
Project Planning Grants	(1,000,000)
Proposed RDGP Grants	(4,196,500)
Total RDGP Recommendations	<u>(7,934,317)</u>
Balance	<u>7,973,559</u>
Non-Grant Related Expenditures ²	
Water Resources Division - DNRC	(251,612)
Flathead Basin Commission	(172,709)
DNRC Trust Lands Administration	(1,000,000)
*Central Management - DEQ	(75,511)
*Enforcement - DEQ	(8,421)
*Permitting and Compliance - DEQ	(3,082,942)
State Library Operations - Library Commission - NRIS	(782,872)
Total Non-Grant Expenditures	<u>(5,374,067)</u>
Estimated Ending Fund Balance - (6/30/2009)	<u>\$2,599,592</u>

¹RTIC recommendations

²Executive general appropriations act proposal

³Executive grant proposal

The grant accounts would be combined and would receive \$7.8M

Renewable Resource State Special Revenue Account (02272)	
	Fund Balance Projection 2009 Biennium
Estimated Beginning Fund Balance (7/1/2007)	n/a
Revenue Projections ¹	
Resource Indemnity Trust Interest - Grant Allocation	\$4,000,000
Resource-Indemnity-Trust-Interest- MSU-Northern	480,000
Resource-Indemnity-Trust-Interest- Additional	449,700
Excess Coal Tax Proceeds	250,000
STIP and Other Interest Earnings	5,000
Administrative Fees	25,000
2009 Biennium Revenues	\$4,280,000
RRGL Recommendations³	
DNRC-(Grant Administration) Centralized Services ²	(54,586)
DNRC-(Grant Administration) Conser. & Res. Devel. Div. ²	(599,564)
Emergency Grants	(100,000)
Project Planning	(400,000)
Irrigation Development	(300,000)
Comprehensive Irrigation Report	(100,000)
Proposed RRGL Grants	(5,014,946)
Total RRGL Recommendations	(6,569,096)
Balance	(\$2,289,096)
Non-Grant Related Expenditures²	
MSU-Northern Statutory Appropriation	(480,000)
DNRC-Water Resources Division	(24,130)
DNRC-Flathead Basin Commission	(13,682)
DNRC - Forestry Division	(200,000)
Judiciary-Water Court	(1,775,445)
Total Non-Grant Expenditures	(2,493,257)
Estimated Ending Fund Balance (6/30/2009)	(\$4,782,353)

Reclamation and Development State Special Revenue Account (02458)	
	Fund Balance Projection 2009 Biennium
Estimated Beginning Fund Balance-(7/1/2007)	n/a
Revenue Projections ¹	
Resource Indemnity Trust Interest	\$3,000,000
Resource-Indemnity-Trust-Interest—Additional	524,650
Resource Indemnity and Ground Water Assessment Tax	476,601
Metal-Mines-Tax	2,270,000
Oil-and-Gas-Production-Tax	6,621,719
2009 Biennium Revenues	3,476,601
RDGP Recommendations³	
Administration-(Grant Administration) DNRC ²	(288,715)
DNRC-(Grant Administration) Conser. & Res. Devel. Div. ²	(2,449,102)
Project Planning Grants	(1,000,000)
Proposed RDGP Grants	(4,196,500)
Total RDGP Recommendations	(7,934,317)
Balance	(4,457,716)
Non-Grant Related Expenditures²	
Water Resources Division - DNRC	(251,612)
Flathead Basin Commission	(172,709)
DNRC Trust Lands Administration	(1,000,000)
*Central Management - DEQ	(75,511)
*Enforcement - DEQ	(8,421)
*Permitting and Compliance - DEQ	(3,082,942)
State Library Operations - Library Commission - NRIS	(782,872)
Total Non-Grant Expenditures	(5,374,067)
Estimated Ending Fund Balance - (6/30/2009)	(\$9,831,783)

¹RTIC recommendations

²Executive general appropriations act proposal

³Executive grant proposal

...but all administrative costs would be transferred into the natural resource operations account

Renewable Resource State Special Revenue Account (02272) Fund Balance Projection 2009 Biennium	
Estimated Beginning Fund Balance (7/1/2007)	n/a
Revenue Projections ¹	
Resource Indemnity Trust Interest - Grant Allocation Resource Indemnity Trust Interest - MSU Northern Resource Indemnity Trust Interest - Additional	\$4,000,000
Excess Coal Tax Proceeds	449,700
STIP and Other Interest Earnings	250,000
Administrative Fees	5,000
2009 Biennium Revenues	<u>16,000</u>
	\$4,271,000
RRGRL Recommendations ³	
DNRC-(Grant Administration)Centralized Services²	(54,586)
DNRC-(Grant Administration)Conserv. & Res. Devel. Div.²	(599,564)
Emergency Grants	(100,000)
Project Planning	(400,000)
Irrigation Development	(300,000)
Comprehensive Irrigation Report	(100,000)
Proposed RRGRL Grants	<u>(5,014,946)</u>
Total RRGRL Recommendations	<u>(5,914,946)</u>
Balance	<u>(\$1,643,946)</u>
Non-Grant Related Expenditures ²	
MSU Northern Statuary Appropriation	(480,000)
DNRC Water Resources Division	(24,130)
DNRC Flathead Basin Commission	(13,682)
DNRC Forestry Division	(200,000)
Judiciary Water Court	(1,775,445)
Total Non-Grant Expenditures	0
Estimated Ending Fund Balance (6/30/2009)	<u>(\$1,643,946)</u>

Reclamation and Development State Special Revenue Account (02458) Fund Balance Projection 2009 Biennium	
Estimated Beginning Fund Balance-(7/1/2007)	n/a
Revenue Projections ¹	
Resource Indemnity Trust Interest	\$3,000,000
Resource Indemnity Trust Interest - Additional	524,650
Resource Indemnity and Ground Water Assessment Tax	476,601
Metal Mines Tax	2,270,000
Oil and Gas Production Tax	6,621,719
2009 Biennium Revenues	3,476,601
RDGP Recommendations ³	
Administration-(Grant Administration)DNRC²	(288,715)
DNRC-(Grant Administration)Conserv. & Res. Devel. Div.²	(2,449,462)
Project Planning Grants	(1,000,000)
Proposed RDGP Grants	(4,196,500)
Total RDGP Recommendations	<u>(5,196,500)</u>
Balance	<u>(1,719,899)</u>
Non-Grant Related Expenditures ²	
Water Resources Division-DNRC	(251,612)
Flathead Basin Commission	(172,709)
DNRC Trust Lands Administration	(1,000,000)
Central Management-DEQ	(75,511)
Enforcement-DEQ	(8,421)
*Permitting and Compliance-DEQ	(3,082,942)
State Library Operations-Library Commission-NRIS	(782,877)
Total Non-Grant Expenditures	0
Estimated Ending Fund Balance - (6/30/2009)	<u>(\$1,719,899)</u>

¹RTIC recommendations
²Executive general appropriations act proposal
³Executive grant proposal

*Per Recommendations of the Natural Resource Subcommittee

¹RTIC recommendations

²Executive general appropriations act proposal

³Executive grant proposal

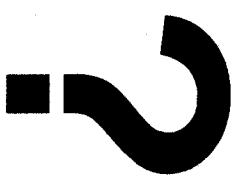
Grant funding would be reduced when compared to recent years

- With HB 116 in the introduced form, the 2009 biennium recommendation for grants would exceed revenues by about \$3.4M
- Grant funding would be statutorily set at about \$7.8M perpetually

Back to the present...

- In the 2009 biennium executive budget continues the practice of unlawful appropriation of RRGL funds.
- HB 6 and HB 7 bill will again contain language to allow the appropriation of grant funds for the administrative functions of other non-grant programs in the 2009 biennium.
- The amendments to statute will change the statute permanently.

LRP Actions:



- This subcommittee is charged with oversight of the funding and appropriation of the grants program funds
- Keep track of appropriation levels of HB 2
- Keep track of the progress of HB 116

LFD Comments HB 6 and HB 8

- HB 6 - Change in Grants
 - Irrigation Development Grant - \$300,000 and Comprehensive Irrigation Report - \$100,000
 - Request information from RRGL staff
 - Is this an appropriate use of funds
- HB 8 – Community Loans - \$3M
 - Request information from RRGL staff